

Pr. William Sees \$17 Million Surplus

Cut in Property Tax Expected

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Prince William County officials predicted a \$17.6 million budget surplus yesterday, the result of soaring real estate assessments, an unexpected increase in sales tax revenue and a rise in other local taxes.

"Almost everything is meeting or exceeding our projections," said Board of County Supervisors Chairman Sean T. Connaughton (R-At Large). "Obviously, a big portion of it is assessments continuing to move upward, but we're also seeing growth in general revenues from practically all sources -- sales tax, personal property tax, utility tax."

The result of this economic news -- which bucks the recent dismal trend in much of the region -- is that homeowners could receive as much as a 7-cent reduction in the property tax rate for the fiscal year starting July 1, officials said.

The budget surplus reflects a booming local real estate market that has caused property values to rise by an average of 16.5 percent in the last year, adding \$6 million to county coffers, County Executive Craig S. Gerhartsaid.

The increase in sales tax revenue, as well as other tax revenue, counters regional and statewide downturns that have left other jurisdictions short of funds. County officials and economists said the revenue uptick is largely due to an adjustment in buying patterns during tight economic times, when consumers turn away from high-end stores and toward discount retailers, Prince William's specialty.

"What is typical of times where people are worried about the economy is a shift to smarter shopping," said George Mason University public policy professor Stephen S. Fuller. Prince William's increased revenue is "largely a function of Potomac Mills [outlet mall] and big-box shopping."

County officials also said that the temporary closing of Reagan National Airport and the region's loss in tourism had a marginal effect in Prince William, whereas it severely affected closer-in communities.

Officials in other Northern Virginia jurisdictions said their budget forecasts were not so bright. "All our revenue streams are down," said Fairfax Board of Supervisors Chairman Katherine K. Hanley (D). "It's going to be a very tight, complicated budget year."

Some Prince William supervisors said the news vindicated county policies allowing extensive residential development, an approach criticized by many residents and officials.

"When I came on the board in '96, all I heard was the Board of Supervisors let the county overbuild," said Supervisor Loring B. "Ben" Thompson (R-Brentsville). "Now houses are selling in four or five days. . . . Are we building too many houses or not enough?"

Gerhart said that while the budget surplus is large enough to lower the property tax rate by 7 cents, he would not make that a formal proposal until officials know what funding they will receive from the cash-strapped state for the next fiscal year. A shortfall in state funds for schools or roads could lead to county money being diverted to those needs.

Nonetheless, supervisors said yesterday that residents could expect a tax break of some sort. "We're going to see a major tax rate reduction," Connaughton said. "The final amount will depend completely on what Richmond does."

Officials stressed that even a hefty tax cut would not offset rising tax bills brought on by the increased value of homes. Even with a 7-cent rate cut, homeowners would pay an average of \$213 more than last fiscal year.

If the county is able to achieve the 7-cent reduction, the real estate tax rate would be trimmed from \$1.30 per \$100 of assessed value to \$1.23. County officials said the property tax rate has not dipped below \$1.30 in at least 20 years.

A rate reduction would follow a 4-cent cut last year and would put the county on track to exceed in three years what originally was a 10-year goal of reducing the rate by 8 cents. A 7-cent decrease also would mean that Prince William would no longer stand alone as the county with the highest property tax rate in the state, which has chagrined officials for years. Prince William and Fairfax would share the distinction with rates of \$1.23 per \$100 of assessed value.